

Dairy Advantage

*North Carolina's Dairy Industry
Stabilization and Growth Program
Strategic Plan*



***North Carolina,
Where Opportunity Abounds!***

"DAIRY ADVANTAGE"

NORTH CAROLINA'S DAIRY INDUSTRY STABILIZATION and GROWTH PROGRAM STRATEGIC PLAN

January 2008

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“DAIRY ADVANTAGE”

Executive Summary

Dairy industry leaders initiated a “North Carolina Dairy Industry Stabilization and Growth” initiative with the intent of reversing recent trends in the industry. A committee was established to identify the challenges and needs and to develop a Strategic Plan for the North Carolina dairy industry. These leaders, representing milk producers, milk processors, allied dairy businesses, farm organizations, North Carolina Department of Agriculture & Consumer Services, and NC State University Extension Specialists identified four major goals:

1. Enhance the value of milk and dairy products produced in the state,
2. Enhance the dairy farm family quality of life,
3. Increase the volume of milk produced in the state, and
4. Support the number of dairy farms in the state.

The strategic planning committee, considered a number of strategies: Dairy farm retention, herd expansion, and relocation and recruitment of in-state and out-of-state dairies. They created a strategic plan with the following key action items:

- Develop a farm assessment program for existing producers to help them identify strengths and weaknesses
- Develop a dairy profit team program to help producers improve the long term viability of their dairy farms
- Establish a recruitment and relocation assistance program for individuals interested in establishing dairies in North Carolina
- Establish a Dairy Development Coordinator position to assist with the development of the North Carolina dairy industry
- Encourage and assist NCDA&CS to create staff responsibilities specifically in Dairy Agribusiness
- Encourage and assist NC Cooperative Extension Service to maintain two Area Specialized Dairy Agents, and to convert these positions to be fully state funded
- Encourage and assist NCSU College of Agriculture and Life Sciences to maintain an effective dairy extension program in production, management and economics
- Establish a legal organization for the purpose of finding additional resources to accomplish the goals

This initiative was named “Dairy Advantage.”

“America’s dairy industry is more than milk. It’s jobs and economic activity for the people of our country.” North Carolina’s dairy industry has been identified by the NC General Assembly as a vital component to the state’s economy, maintaining green space and our future quality of life. The Dairy Advantage Strategic Plan is a practical and feasible approach to protect and grow the industry by strengthening the cooperative relationships and refocusing resources to reverse current industry trends and create a bright future for the dairy industry in North Carolina.

Introduction

The Dairy Industry

“America’s dairy industry is more than milk: It is jobs and economic activity for the people of our country. The U.S is home to a mixture of large and small dairy farms – both of which contribute to the local economy by supporting local businesses and the community tax base” (Dairy Management Inc, et al. The U.S. dairy industry, a vital contributor to economic development).

According to Dairy Management Inc, et al., “More than 60,000 U.S. dairy farms provide milk, cheese and yogurt to the U.S. and other countries. About 99 percent of all dairy farms are family-owned. The average U.S. cow will produce 6.2 gallons per day ...” or “more than 2, 275 gallons a year”. “Dairy is the number one agricultural business in California, Wisconsin, New York, Pennsylvania, Idaho, Michigan, New Mexico, Vermont, and Maine. In California alone, dairy is a \$31 billion industry employing 400,000 people.”

“The North Carolina dairy industry generated approximately one-half billion dollars in economic activity in 2006” (NCDA&CS. January 2007. North Carolina Dairy Cow Facts). Other “Cow Facts” from the NCDACS include:

- North Carolina has 11 Grade A milk processing plants, 1 large commercial cheese processing plant and several homestead cheese operations
- North Carolina Class I milk production was approximately 107,126,655 gallons in 2005
- There were 296 licensed Grade A dairy farms as of December 1, 2007
- There were approximately 48,000 milk cows as of July 2007

Challenges

“The US dairy industry is a changing and dynamic industry. Changes in the infrastructure, workforce, political and social involvement, globalization of markets and culture, and enhanced information, and biological technologies continuously influence the US dairy industry. An understanding of, and ability to adapt to these changes are paramount to ensuring farm profitability, and quality of life. The traditional dairy farm has taken on a new dimension as farms modernize and expand, or diversify to support the income base of multiple employees. A business-minded dairy farming culture is emerging quickly. These infrastructure changes influence the demographics of regional consolidation and concentration of dairy businesses resulting in specific unique decision support and management needs” (North Central Regional Association of State Agricultural Experiment Station Directors. NC-119).

“Dairy farm and cow numbers are declining, milk per cow is trending up, and milk production is increasing in the West and is flat or decreasing elsewhere” according to Dr. Geoff Benson at NCSU. Dr. Benson details the factors and offers that “Causes include changes in product demand, technology, input availability and cost, and

profitability. Government policies affect the general business climate, transportation costs, trade, and agricultural programs.”

Opportunities

In his study of the “Competitiveness of NC Dairy Farms”, (August 2007, ARE, NCSU) Dr. Benson states that “Dairy farm numbers continue to slide and some folks wonder if there is a future in dairy farming”. In his work to help dairy farmers assess the competitiveness of their farms compared to other farms across the country and to help them identify the strong and weak aspects of their farm performance, Dr. Benson drew these conclusions:

1. The North Carolina dairies were nationally competitive from a profitability standpoint. However, there are more differences among farms than between regions.
2. Larger farms were more profitable, on the average, but the data do not identify the optimum herd size. Lower investment per cow was an important contributor to higher profits and there is little evidence on the economy of scale.
3. Each dairy farmer should assess his or her current financial status and past performance ... and ... assess both the profitability and cash flow feasibility of the plan.
4. The more profitable farms produced more milk per cow and had lower costs per cow. Clearly, herd productivity continues to be important but only when high levels of milk production is achieved in a cost-effective manner.

In 2005 the General Assembly of North Carolina in its “Findings” agreed that “the dairy industry in North Carolina makes a substantial economic, environmental, and quality-of-life contribution to the well-being of the citizens of the State” and “it is essential to the well-being of the citizens of the State to have a local supply of fresh milk available,” and that “Sustaining and growing North Carolina’s dairy industry will advance the State’s goals of preserving and enhancing its economic base and improving the quality of life in the State through maintaining green space and water quality and assuring an adequate local supply of fresh milk.”

It is just as true in North Carolina as has been determined in many other states that “Dairy Cows Are Rural Economic Development Engines” (Minnesota, 2003), and that “increased dairy farm production ... has potential to increase the economic activity throughout the region ...”(Georgia, 2005). Some studies have shown that approximately \$14,000 is the annual economic impact of a dairy cow, and in Pennsylvania it was determined that a 500-cow dairy has an impact on the local economy of almost \$7 million and supports dozens of jobs. The Iowa Farmer Today (11/11/06) reported that recruitment of dairies helps “add value to crops, keeps the milk processors in the area, and helps rural areas stay viable.” Minnesota economic officials have estimated that each dairy cow relocated to the state “has an annual \$5,000 direct

impact on the state's economy." Wisconsin estimated the "value of a single cow's economic impact at \$17,000 per year."

The Planning Committee reviewed a list of Strengths, Weaknesses, Opportunities and Threats arising from various aspects of the industry: Political, Economic, Social, and Technological. They concluded that, indeed, North Carolina could have a viable dairy industry and that the development and implementation of a strategic plan could be instrumental in accomplishing this objective.

“DAIRY ADVANTAGE”
North Carolina’s Dairy Industry
Stabilization and Growth Program Strategic Plan

PREAMBLE:

A Dairy Industry Stabilization and Growth Program Strategic Planning Committee, made up of a cross section of North Carolina’s dairy industry, was formed and began work in early 2007 to develop a plan of action to build on the General Assembly’s position that “sustaining and growing North Carolina’s dairy industry will advance the State’s goals of preserving and enhancing its economic base and improving the quality of life in the State through maintaining green space and water quality, and assuring an adequate local supply of fresh milk.”

The Strategic Planning Committee met many times to develop this plan. They reviewed dairy enhancement programs in other states, and made visits to Wisconsin and Pennsylvania which have especially progressive programs. They surveyed the producers for their concerns, and selected programs and activities that could support the state’s dairy industry. The goals determined by the committee for the strategic plan were:

1. Enhance the value of milk and dairy products produced in North Carolina
2. Enhance dairy farm family quality of life
3. Increase the volume of Grade A milk production
4. Support the numbers of dairy farms in the state

To achieve these goals the committee developed strategies and activities that involve dairy farm retention, dairy farm expansion, and the relocation and recruitment of new dairies into the state. The name “Dairy Advantage” was selected as the program name for the strategic plan.

The “Dairy Advantage” program goals are reachable, and the strategies and activities are attainable. North Carolina is a state where opportunity abounds, and the committee believes that the future of the dairy industry in the state can be promising. For the state’s dairy industry to stabilize and grow, all segments of our dairy industry must work together.

The Strategic Plan is presented on the following pages. Comments and suggestions from all segments of the state’s dairy industry are welcomed. Participation by all segments of the state’s dairy industry in implementing the “Dairy Advantage” plan will be needed for it to be successful.

GOALS:

The following four goals were established and ranked in order of importance by the Strategic Planning Committee. Goals ranked 2 - 4 will be pursued as long as they do not conflict with the first goal.

1. Enhance the value of milk and dairy products produced in North Carolina. This combines the volume of production and the value of that production, and has an “economic development” focus, i.e., it considers economic multiplier effects on the state’s economy, jobs, tax base, etc.
2. Enhance dairy farm family quality of life. Profitability and quality of life are important to all dairy farm families and this goal implies priority should be given to programs or activities that help individual farm families resolve issues of importance to them.
3. Increase the volume of Grade A milk production.
4. Support NC Dairy Farm numbers.

Achieving these goals will require the development and implementation of strategies that will have an impact on dairy farm retention, dairy farm expansion, and relocation and recruitment of new dairies.

KEY ACTION ITEMS and RECOMMENDATIONS of the COMMITTEE:

(Note: additional information on these Key Action Items and Recommendations is given in the Comprehensive List of Committee Recommendations section.)

1. Develop a Dairy Farm Assessment Program

- Establish a Pilot Farm Assessment Program using current Dairy Extension and NCDISGP resources, under the leadership of Drs. Benson and Pritchard of NCSU.
- Begin the pilot program before the official kick-off of the Strategic Plan.
- Longer term, develop a permanent Farm Assessment Program based on additional resources.

2. Develop a Dairy Profit Team Program

- Adopt the Profit Team concept based on the Pennsylvania model.
- Initiate a Pilot Profit Team program using current Dairy Extension and NCDISGP resources, under the leadership of Drs. Benson and Pritchard of NCSU.
- Begin the pilot program before the official kick-off of the Strategic Plan.

- Longer term, develop a permanent Profit Team program based on additional resources.

3. Establish a Recruitment and Relocation Assistance Program

- Begin the development of a recruitment and relocation assistance program for individuals interested in establishing dairies in North Carolina using existing resources.
- Longer term, establish a recruitment and relocation assistance program for individuals interested in establishing dairies in North Carolina.

4. Establish a Dairy Development Coordinator Position

- The leadership of the NC Dairy Industry Stabilization and Growth Program will develop a job description for the Dairy Coordinator position.
- Establish the Dairy Development Coordinator position, and recruit and fill the position as soon as possible.
- Longer term, the Dairy Development Coordinator should implement certain programs and activities established in the Strategic Plan.

5. Establish an Agribusiness Dairy Position in the NC Department of Agriculture & Consumer Services

- Petition the Commissioner of Agriculture to establish an Agribusiness Dairy position.
- Request that the Agribusiness Dairy position be designated to provide development assistance to dairy producers and the industry in expansion efforts.

6. Maintain Two Area Specialized Dairy Extension Agents in North Carolina

- Petition the Director of the NC Cooperative Extension Service to commit long-term to maintaining two area specialized dairy agents in North Carolina.
- As part of the long-term commitment for the two area specialized dairy agents, request that the positions be converted to 100% state-funded to equitably serve dairy producers statewide.

7. Maintain an Effective Dairy Extension Program at North Carolina State University

- Petition the Dean of the College of Agriculture and Life Sciences at North Carolina State University to commit to the maintenance of an effective campus-based dairy extension program in production, management, and economics.
- As part of the commitment to maintaining the campus based dairy extension program, request that a base level of 2 extension FTEs be devoted to providing educational programs in support of North Carolina dairy farmers in the areas of dairy production, management and economics. These two FTEs would be in addition to Extension support for youth activities, the Dairy Records Management Systems program, and other ongoing or newly identified needs and program areas. Further, it will be requested that in order to maintain program focus and effectiveness that the two FTEs NOT be partitioned among several individuals.

8. Establish a Legal Organization for the Purpose of Finding Resources to Implement various aspects of the NCDISGP Strategic Plan

- Create a separate 501(c)3 entity under the auspices of the NC Dairy Producers Association with the purpose of securing grants and other funding for implementation of various recommendations in the Strategic Plan.
- Seat a Board to oversee the activities of the 501(c)3, with members from agriculture, private business, or other organizations, government agencies and universities.

COMPREHENSIVE LIST OF COMMITTEE RECOMMENDATIONS:

(Note: these recommendations are not listed in order of importance.)

I. Retention of Existing Dairies in North Carolina:

1. Dairy Farm Transition Information (both short and long term) – A number of existing North Carolina dairy producers want their dairies to continue after they decide to exit dairying, retire or die, but they may not know how to accomplish their objective. Some may have younger family members interested in taking over the dairy. Others who do not have family members to transfer the dairy to often lack the knowledge of how to link up with non-family individuals desiring to enter the dairy business.

Needed: Assistance is needed to help producers develop viable business plans that include the next generation and learn about the various methods of transitioning farm assets and management responsibilities from one generation or family member to another, as well as between non-family members.

Recommendation: An existing organization, The North Carolina Farm Transition Network, states on its website that “The future of North Carolina family farming lies in our current generation’s ability to effectively transition their farm business assets to the next generation of producers ...” and that “Effective farm business transitions require advanced and sustained planning”. The leadership of the NC Dairy Industry Stabilization and Growth Program should partner with the Farm Transition Network and secure resources, funds and personnel to assist with intergenerational transfers of dairy farm assets, including help matching existing dairy producers with new producers who are not family members.

2. Planning and Management Assistance (both short and long term) - Enhance the economic stability and retention of the state’s dairy farms through the use of improved business planning and management skills, greater marketing skills, better workforce management, and increased information networking.

Needed: Dairy farmers need to improve their management skills in order for their businesses to be more competitive and remain viable.

Recommendation: The leadership of the NC Dairy Industry Stabilization and Growth Program should initiate the establishment of a Dairy Farm Assessment Program and a Dairy Profit Team Program to assist producers increase their profitability and remain competitive. The North Carolina Cooperative Extension Service agents and specialists should emphasize in newsletters, dairy meetings, and through other means the importance for all dairy farmers to improve their management skills by establishing Profit Teams and using other available resources and programs.

3. Dairy Information Resource Development (both short and long term) - Provide a centralized source of information on existing programs offering financial benefits to dairy farmers, including local, state and federal programs and nonprofit grant programs.

Needed: Existing information and resources are scattered among several organizations. North Carolina can greatly improve the profit opportunities of dairy farmers by establishing a centralized dairy information resource that would draw from the research and information pools of both land grant universities and industry, and that would make accessible up-to-date and accurate information, for example, about programs to benefit dairy farmers.

Recommendation: The leadership of the NC Dairy Industry Stabilization and Growth Program should work to establish opportunities for a collaborative public/private effort with agencies, universities, industry and producers to develop this resource.

4. Production Education (long term) – Retain and refocus resources based on producer input, and coordinate with industry, NCDA&CS, NCSU and NCA&TSU, and government agencies.

Needed: North Carolina's human population continues to increase at one of fastest rates in the country, creating additional market opportunities. To help meet this demand, producer education is vital in the areas of improved production technologies, management skills, business planning, herd health, improved facilities, and other improvements that promote efficiency and profitability.

Recommendation: Maintain effective education programs for producers, including maintaining adequate resources in the form of area dairy extension agents and campus based specialists. Identify needs and develop programs with input from industry.

5. Business Education (long term) – Improve business opportunities for small farmers.

Needed: The USDA, Economic Research Service (Sept. 2007) reported that while small dairy farms (<200 cows) realize higher revenue per hundredweight of milk sold, larger farms have cost advantages that allow the larger farms to be more profitable. There is a need to promote sustainable small dairy farms through educational programs focusing on the production of quality milk, business plans that match farm investments with sales, performance based budgeting, risk management opportunities (forward contracting and hedging), and forming alliances with other dairy farms.

Recommendation: Include as one part of the educational mission of the NC Cooperative Extension Service and the Dairy Advantage leadership a focus on small dairies, niche markets, working with Profit Teams and the Profitability Assessment Dairy Tool, etc., that will assist in the sustainability of small dairies in North Carolina.

6. Maintain an Effective Cooperative Extension Service Dairy Educational Program
(both short and long term) -

This recommendation applies to all three areas, i.e., the retention and expansion of dairies in North Carolina and the relocation of dairies within North Carolina and recruitment of new dairies to North Carolina.

The continued involvement of the Cooperative Extension Service in North Carolina is critical to the survival of dairy production in the state. Dairy producers expect the unbiased knowledge and assistance of Extension personnel with dairy expertise.

Needed: In order for the dairy producers of the state to continue receiving unbiased information on production, management, and business practices and programs, Cooperative Extension Service personnel are needed at the county, area, and state levels.

Recommendation: The leadership of the NC Dairy Industry Stabilization and Growth Program should petition the Director of the NC Cooperative Extension Service to commit long-term to maintaining two area specialized dairy agents in the West Central and North Central Districts. In addition, the leadership should request that the positions be converted to 100% state-funded so the agents could equitably serve dairy producers statewide when their expertise was requested.

The leadership of the NC Dairy Industry Stabilization and Growth Program should petition the Dean of the College of Agriculture and Life Sciences at North Carolina State University to commit to the maintenance of an effective campus-based dairy extension program in production, management, and economics.

II. Expansion of Existing Dairies in North Carolina:

1. Dairy Business Development Information (both short and long term) - Assist dairy farmers making any kind of major dairy business transition, including value-added milk production, by-products enterprises, business expansion, etc.

Needed: There is need for an Agribusiness Dairy position in the NCDA&CS to provide development assistance to dairy producers in their business transition or expansion efforts.

Recommendation: The leadership of the NC Dairy Industry Stabilization and Growth Program should request of the Commissioner of Agriculture that the job description of one staff member be revised to include a significant portion of time to work with dairies that are interested in expansion, developing value-added enterprises to their businesses, or other types of transitional activities.

2. Grant and Loan Program (both short and long term) – Develop a Trust Fund to secure funds to provide grants and low-interest loans for the expansion, transition, and start up of dairy operations in NC.

Needed: Revolving funds for expansion, transition, and start-up operations are a way to stretch limited financial resources by applying essentially the same funds to numerous dairy farm activities, and also an opportunity to leverage private investment in a dairy expansion. The program leadership can greatly enhance expansion opportunities for dairy farmers by promoting and assisting in the establishment of a low-interest loan/grant program.

Recommendation: The leadership of the NC Dairy Industry Stabilization and Growth Program should complete the statutory and regulatory requirements to establish a Dairy Grant and Loan Program, and prepare a plan on the management of the Program and on how to raise the funds to support the program.

3. Business Plan Development Assistance (long term) – Secure a development planning resource grant to establish a business planner/advisor assistance program for dairy producers.

Needed: The manager of a dairy operation must monitor the ongoing activities of the business and make decisions that will influence its operating efficiency and profitability. Business planning is a time consuming and at times complicated process, and dairy farmers often seek consultants for assistance. It is often difficult for dairy farmers in North Carolina to find a consultant familiar with all the many facets of a dairy operation and how these are part of the blueprint for building a successful business.

Recommendation: The leadership of the NC Dairy Industry Stabilization and Growth Program should seek funding to establish a cost sharing program to assist dairy producers hire a business planner/advisor trained specifically for dairy farm business planning.

4. Strategic Public Relations Program (short term) – Express the positives of the dairy industry through a bus tour for key legislators, business leaders, and government agency representatives.

Needed: Members of the U.S. Congress and N.C. General Assembly, business leaders and government agency representatives are dependent on factual, well organized information as they make decisions on where to lend their support. In turn, those approaching our leaders need to have a proactive approach which requires that they be informed of the issues most important to the specific leaders and how the dairy industry can benefit the social, economic, and constituency base of the leaders.

Recommendation: The leadership of the NC Dairy Industry Stabilization and Growth Program, the CES, NCDA&CS, Farm Bureau, Agribusiness Council and others should pursue opportunities to form a strong coalition and develop concise programs on the

social and economic benefits provided by the dairy industry in North Carolina to be delivered to leaders in government and private industry.

5. Dairy Promotion for the General Public (short term) – Establish a spring or fall outing in a festive type setting for the general public to dairy farms across the state. Tie in with the NCDA&CS agro-tourism staff for coordination.

Needed: There is a need to heighten the public's awareness and accentuate the positive social, environmental, and economic impact benefits of dairy farming in North Carolina.

Recommendation: The leadership of the NC Dairy Industry Stabilization and Growth Program should establish a working committee to meet with volunteer farmers, industry representatives, and NCDA&CS Farmland Preservation and Agro-tourism staff members to provide an annual "Celebration of Dairy" program for the general public that will emphasize the importance of dairy farming in our communities.

6. Establish a Labor Resource Assistance Program (both short and long term) - Locating qualified labor is a major problem for many farmers in North Carolina.

Needed: There is a need by producers of all types of agricultural products to obtain competent, qualified labor. This is especially the case for most of the state's dairy producers.

Recommendation: The leadership of the NC Dairy Industry Stabilization and Growth Program should develop a public partnership program that includes the NCDA&CS, the Department of Labor, NCSU, and the Community College System to create a labor assistance and training program. Further, the Commissioner of Agriculture should be petitioned to assign a staff person to coordinate this program for the benefit of all agriculture sectors.

III. Recruitment and Relocation of Dairies to or Within North Carolina:

The following recommendations are components in a coordinated recruitment and relocation assistance program.

1. Create a Relationship with the Department of Commerce and the Economic Development Councils (short term) – Improve the financial opportunities for new or relocating dairies.

Needed: The economic development and Department Of Commerce representatives should be made fully aware of the economic benefit brought to local communities by dairy farms.

Recommendation: The leadership of the NC Dairy Industry Stabilization and Growth Program should schedule a meeting with the Department of Commerce to begin dialogue on how the Department and the regional offices can help in the recruitment and relocation of dairies to and within North Carolina.

2. Identify Counties in the Southern and Eastern Counties of North Carolina to Visit for Potential Siting of Recruited or Relocated Dairy Farms (long term) - Determine counties that have economic conditions that would be favorable to new or relocated dairies.

Needed: County governments and regional cooperatives in a number of northeastern and Midwestern states have come to realize in recent years that “A distinction should be made between ‘growth’ and ‘economic development’”, and that “not all growth is equal and not all growth is good”. More and more areas are looking at the quality of development with a desire for diversity and stability in a balanced economy. Many of these areas have begun to recruit dairies as a source of good paying jobs, greater returns to the county’s economy, a lower demand for county services, and a sustainable family business that will not be outsourced.

There are counties in North Carolina that are likely to be receptive to the siting of recruited or relocated dairies, and more effort is needed to make these counties aware of the positive impacts of the dairy industry.

Recommendation: The leadership of the NC Dairy Industry Stabilization and Growth Program should develop literature and materials that explains the benefits of dairies to a local economy. These materials should be used by the program leadership when they meet with local government officials to present the benefits of siting new dairies in their counties. Furthermore, the program leadership should work to establish a strong working relationship with the economic development councils in these counties.

3. Meet with Grain Grower Associations and Local Farmers to Develop Coalitions (short term) – Develop ideas of synergic opportunities with crop farmers and others.

Needed: Dairies recruited from other countries or states, or relocated from other areas of North Carolina offer opportunities for existing farmers in the area to provide products and services for the dairies. These products are high quality feed stuffs, corn, and other grains. Services may be calf raising, heifer growing, waste management, etc. The NCDPA should work with local farmers and farming groups to develop collaborative efforts in recruiting new dairies.

Recommendation: The leadership of the NC Dairy Industry Stabilization and Growth Program should designate a “team” to meet with other producer organizations to discuss opportunities for recruitment and relocation of dairies in more traditional row-crop areas, and how synergistic opportunities may be available to local farmers.

4. Develop a Education Center (long term) – Educate the public to the value of dairy and agriculture.

Needed: North Carolina needs a Dairy Education Center that will allow adults and children the opportunity to learn more about the dairy industry and agriculture. The center should have interactive activities, milk house viewing windows, simulated milking cows, a cooking center, and other educational features.

Recommendation: The leadership of the NC Dairy Industry Stabilization and Growth Program should work with all appropriate groups/organizations to establish a Dairy Education Center Task Force. The task force should develop a plan on how to build a coalition of private and public organizations and agencies, and how to fund, design, and build the Center.

5. Establish a Recruitment and Relocation Assistance Program. (long term) – North Carolina should assist relocating dairies, and recruit dairies from other states or countries.

Needed: In order to assist existing North Carolina dairies interested in relocating within the state, and to recruit individuals from other states or countries to locate or relocate their dairies in the state, an assistance and recruitment program should be developed.

Recommendation: The leadership of the NC Dairy Industry Stabilization and Growth Program should work with the appropriate state government departments, university personnel, and other organizations and programs to establish a recruitment and relocation program. Additionally, the program leadership should work with the appropriate officials to facilitate the permitting and business planning process for new or relocating dairies.

IV. Strategic Plan Implementation and Operation:

1. Establish a broad-based industry committee to provide both leadership for the implementation of the plan and oversight of activities carried out under the plan (both short and long term)

2. Establish a Dairy Development Coordinator Position (both short and long term) -

Needed: A person is needed to assist with implementing certain aspects of the Strategic Plan and to assist with coordinating other activities being carried out under the Plan. Responsibilities should include developing new sources of funds to support the implementation of the Strategic Plan and assisting with the development of new industry programs, including new sources of funds for use by dairy farmers.

Recommendation: The leadership of the NC Dairy Industry Stabilization and Growth Program should develop a job description for the Dairy Coordinator position. When funding is secured to support the position, the program leadership should establish the position, and recruit and fill the position as soon as possible.

3. Establish a Legal Organization for the Purpose of Finding Resources to Implement the NCDISGP Strategic Plan - (short term)

Needed: A legal entity is needed to secure grants and other funding for implementation of the recommendations in the Strategic Plan.

Recommendation: The leadership of the NC Dairy Industry Stabilization and Growth Program should create a separate 501(c)3 entity under the auspices of the NC Dairy Producers Association (NCDPA), with the purpose of securing grants and other funding for implementation of the Strategic Plan. The NCDPA should seat a Board for the 501(c) 3 to oversee its activities. Board members should represent agriculture, private business, other organizations, government agencies and universities.

4. Establish a Centralized Dairy Information Resource (long term) –

Needed: A centralized dairy information resource is needed to better serve the dairy industry and to support dairy economic development efforts. This resource should help improve the profitability of existing farms and assist with expansion, relocation and recruitment efforts through improved access to an array of technical information, business support services, university resources, and resources available from local, state and federal agencies

Recommendation: The leadership of the NC Dairy Industry Stabilization and Growth Program should initiate the establishment of a centralized dairy information resource. This resource concept should not be a facility, but rather a program packaged much like other research and economic centers already established in North Carolina.

5. Coordinate and Combine Dairy Research and Education Efforts (long term) – Retain and refocus resources based on producer input, and coordinate with industry, NCDA&CS, NCSU, NCA&TSU, and government and other agencies and organizations.

Needed: North Carolina's human population continues to increase at one of fastest rates in the country, creating increased demand for milk and milk products. Research is needed to create and maintain a competitive advantage for North Carolina's dairy farmers. Producer education is vital in the areas of improved production technologies, management skills, business planning, herd health, improved facilities, and other improvements that promote efficiency and profitability.

Recommendation: The leadership of the NC Dairy Industry Stabilization and Growth Program should bring together farmers, agribusiness, university and government

agencies, and other groups with similar values, interests and goals with the goal of encouraging these parties to better coordinate or combine and use their resources. A second goal is to encourage and support efforts to identify and monitor opportunities and challenges facing the dairy industry, and support projects and activities that will bolster the development of the industry, including research projects and extension efforts to improve the profitability and viability of dairy farms.

6. Program name and informational brochure for the Strategic Plan (both short and long term -

Needed: The Strategic Plan should have a program name that people can use to identify with the strategies and goals established in the plan, and an informational brochure that can be used to promote the plan.

Recommendation: The leadership of the NC Dairy Industry Stabilization and Growth Program should select a program name and develop an informational brochure.

A Situational Assessment of the North Carolina Dairy Industry

Dr. Geoff Benson, ARE, NCSU

PLUSES

Current Advantages, Strengths and Opportunities

Political

- Stable group of processors who are supportive of pricing needs and of policy and regulatory needs
- Industry has become more proactive than reactive
- Several active industry organizations with dairy interests
 - Farm Bureau and Grange
 - NC Dairy Producers Association
 - Regional Dairy Producer Groups (US Milk, Southeast Dairy Producers Steering Committee)
- Supportive Commissioner of Agriculture
- Federal orders provide stability

MINUSES

Current Disadvantage, Weaknesses and Threats

Political

- Loss of political support due to reduced numbers of dairy producers
 - Weak influence on development of regulations
 - Inability to be a major player in milk pricing through supply or price regulation
 - Loss of support and ability to advocate research, teaching and extension programs at NCSU
- Can't get all producers to support political activity, e.g., by joining NC Dairy Producers Association -- Inability to get a united voice for the industry
- Very different needs/conditions in other dairy regions creates conflict
- Lack of dairy representation in the legislatures and agencies -- laws and regulations are developed by people with little or no dairy knowledge
- Limited protection for existing farms
- No comprehensive long-range plan to preserve land for dairying (need a land-use and/or zoning plan)
- Political influence of animal rights, environmentalist groups, etc.
- Increased state and federal government bureaucracy, e.g., DEHNR, EPA
- Uncertainty in government regulations
- Federal orders do not price and regulate milk to provide adequate prices to producers.

Current Advantages, Strengths and Opportunities

Economic

- Farm price
 - High Class I differential
 - Fluid milk utilization of >65%
- Cost of production
 - Access to byproduct feeds
 - Opportunities to buy forages or grow under contract
 - Opportunities for contract heifer raising
- Marketing
 - Growing population provides a growing local market for traditional and specialty products
 - Deficit production of milk with opportunities for increased farm sales
 - Cooperation among milk cooperatives (Maryland-Virginia & Dairy Farmers of America) increases bargaining power and reduces costs
 - Milk is viewed as an essential diet component by many consumers
 - Processing plants are close to major population centers
 - Short transport distances between points of production and consumption
 - Dairying is a good story to tell – P.R. advantage over some other agricultural commodities

Current Disadvantages, Weaknesses and Threats

Economic

- Farm level
 - Price volatility
 - High competition for available land
 - Large capital requirements for modern dairy farming systems
 - Financing, cash flow and risk
 - Estate planning is difficult
 - Inability to make a profit
 - High cost to produce milk/milk can be produced cheaper in other states/competition from other dairy regions in the United States
 - Inability to pay competitive salary for farm workers
 - Lack of financing to keep farmers in business
 - Lack of adequate financial records by many producers
- Marketing
 - National milk market – pricing is based on cheese rather than local conditions in the fluid market
 - Reliance on imported milk to supply the market
 - Hauling costs are high because farms are few and scattered

Current Advantages, Strengths and Opportunities**Social**

- Farm Related
 - Dairying provides open space and land, meshing with society's desire to stay rural
 - Romantic view of agriculture (the way it used to be)

Technology

- Farm level
 - Can double crop land
 - Climate in North Carolina has few extremes
 - Use of manure can improve soils
 - Dairy animals can utilize industrial and agricultural by-products as feed (recycling)
 - Long growing season for pastures for heifers or cows for reduced feed costs
 - The industry has already addressed some of the environmental issues
- Research & Extension at NCSU & CES
 - County/area cooperative extension agents
 - Strong DHIA through DRMS
 - Research on milk products
 - Dairy production specialists and others with dairy expertise
 - Dairy Youth Foundation
 - Dairy Foundation
- Government services and facilities
 - NCDA & CS testing labs
 - NCSU and NCDA research stations and field labs
 - Regulatory system willing to work with industry

Current Disadvantage, Weaknesses and Threats**Social**

- Farm related
 - Aging producer group
 - Opportunity for young people to make higher salary outside dairy industry
 - Few young people entering the industry
 - Reliance on immigrant labor
- Non-farm Public
 - Ill informed on farming practices
 - Growing resistance to some types of farming, especially livestock farming
 - Expectation that food will be cheap
 - 98% of the population does not understand farming and doesn't care
 - Growing population and loss of agricultural land – lack of understanding of issue

Technology

- Farm Level
 - Heat and humidity
 - Weather extremes
 - Soils of variable, sometimes poor, quality
 - Availability and cost of land
 - Farm structure – fragmented land holdings
 - Animal diseases (Johne's, others)
- Marketing
 - Reverse osmosis, milk processing may reduce transportation costs of fluid milk
- Infrastructure/Structure Issues
 - Loss of experienced dairymen
 - Reduced number of local support industries (reduced dairy infrastructure)
 - Hard to justify University personnel for a decreasing industry
 - Labor force is changing

Advantages, Strengths and Opportunities**Future Opportunities**

- Growing population and increasing consumer incomes provides a growing market
- Market segmentation is occurring, creating opportunities for specialized dairy products
- Energy production as a byproduct of dairy farming
- Changing production technology

Disadvantage, Weaknesses and Threats**Future challenges**

- Continued population pressure and urban encroachment on farm land
- Continued loss of farm land
- Higher land prices
- Continuation of national trends
- leading to continued pressure on farm milk prices, reduced cow numbers and reduced farm numbers -- Pressures to expand
- Economies of scale and incentives to expand
- More environmental regulations, including air quality
- Changing production technology
- Loss of political support

North Carolina Dairy Industry Stabilization and Growth Program Advisory and Ad Hoc Executive Committees

Advisory Committee:

Chair: Ronnie Trantham – feed industry representative
 Vice-chair: Norman Jordan, Jr. – dairy producer
 Leigh Lane – dairy producer
 Zach Myers – dairy producer
 Dr. Ben Shelton – veterinarian and dairy producer
 David Coltrane – MDVA Milk Producers Assn, Inc. representative and dairy producer
 Eugene Blackwell – Dairy Farmers of America representative and dairy producer
 Billy Holiday – NC Board of Agriculture representative and dairy producer
 Robert Nutter – NC Grange representative and dairy producer
 Dwayne Myers – Carolina Farm Credit representative and dairy producer
 Franklin Rash – Carolina Farm Credit representative
 Robert Paxton – milk processors representative
 Mark McCain – dairy equipment suppliers representative
 Chester Lowder – NC Farm Bureau representative
 Dewitt Hardee – NCDA&CS representative
 Scott Bissette – NCDA&CS representative
 Nancy Keith – NC Cooperative Extension Service representative
 Dr. Jim Floyd – NCSU CVM representative
 Dr. Geoff Benson – NCSU extension agricultural economist
 Dr. Don Pritchard – NCSU extension dairy specialist
 Senator Charles Albertson – NC Senate
 Representative Dewey Hill – NC House
 Representative Bill Faison – NC House

Ad Hoc Executive Committee:

Chair: Ronnie Trantham
 Vice-chair: Norman Jordan, Jr.
 Leigh Lane
 Dewitt Hardee
 Scott Bissette
 Chester Lowder
 Dr. Geoff Benson
 Dr. Don Pritchard
 James Cummings – NCDISGP Strategic Plan development contractor

**North Carolina Association for Dairy Stabilization
and Growth, Inc. Board**

Incorporators:

Norman Jordan, Jr.

Wayne Lutz

Rex Bell

Neal Grose

Dr. Fred Knott

Board Members:

to be selected

North Carolina Dairy Producers Association 2007 Board

Officers:

President: Norman Jordan, Jr.

Vice President: Wayne Lutz

Secretary: Rex Bell

Treasurer: Neal Grose

Other Directors:

Russ Seibert

Dr. Ben Shelton

George Teague

Dennis Leamon

Leigh Lane

George Smith

Zach Myers

Jeff Bender

Mike Corn

Daniel Horton

Neal Johnson

Ex-Official Directors:

Dewitt Hardee

Chester Lowder

Dr. Lon Whitlow

Assistant Secretary

Chester Lowder

Assistant Treasurer

Dr. Fred Knott

Financial Support Partners

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- **The NC Dairy Foundation**
- **The NC Agricultural Foundation**
- **The Golden LEAF Foundation**
- **The NC Dairy Producers Association**